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February 10, 1994

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William F. Caton, Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

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FEB 23 1994

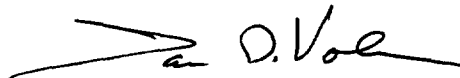
Re: Ex Parte Communication--MM Docket No. 93-215

Dear Mr. Caton:

In accordance with section 1.1206(a)(1) of the Commission's rules there is transmitted herewith two copies of a letter addressed by Thomas E. Waldrop, Chairman of the Board of the Board of Media General Cable of Fairfax County, Inc., to Commissioner Quello with respect to an issue arising in the above-referenced docket.

You are respectfully requested to associate this letter and its enclosure with the appropriate Commission files.

Very truly yours,



Ian D. Volner

Enclosure

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MEDIA GENERAL CABLE

OF FAIRFAX

Thomas E. Waldrop
Chairman of the Board
(703) 378-3928

February 8, 1994

Commissioner James Quello
Federal Communications Commission
1919 M Street, N.W., Room 802
Washington, D.C. 20554

Dear Commissioner Quello:

I am writing to thank you for affording me the opportunity to visit with you this past week and share with you our concerns with respect to the Commission's efforts to establish cost of service standards for cable rates under the Cable Act of 1992.

As we explained in the course of our meeting, one of our principal concerns is that the Commission's cost of service standards allow cable systems to recover legitimately accumulated losses that have been incurred in the development and construction of their system. You challenged us to suggest a standard which the Commission could adopt to address this issue. This letter is a response to that challenge.

As the Commission itself has recognized, there is a sharp distinction between accumulated losses incurred by a cable operator as the result of its efforts to build a cable system from the ground up--on the one hand, and what the Commission has referred to as "excess acquisition costs" which may arise when a system is sold--on the other. As I explained during our meeting, Media General is the original franchisee of the system serving Fairfax County; we built it from the ground up and continue to operate it. We accumulated substantial prior year losses because it would have been impossible to fully recover the cost of construction and deployment of our system from subscribers on a current basis. Had we tried to do so, our early year rates would have been so substantially limited subscriber penetration that the system would have had much larger losses than were actually sustained.

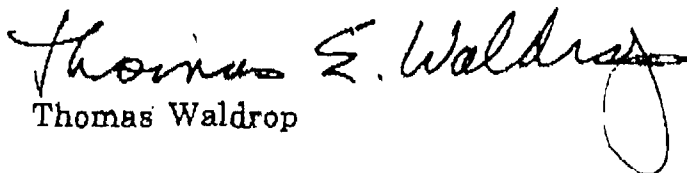
In cases like ours, where the system is still in the hands of the original franchisee, there can be no question that the investment represented by

Commissioner James Quello
Page 2

accumulated losses produced value to subscribers past and present, and was legitimately and prudently incurred. Full recovery of these accumulated losses should be permitted under cost of service principles. We believe that this standard meets the basic requirements of fairness. It recognizes that accumulated losses reflective of the investment in start-up and construction of a cable system are definitionally legitimate and prudent and therefore should be fully recoverable. At the same time, it affords the Commission and franchising authorities a reasonable means for discriminating between cases in which recovery of investment is legitimate and those which may not be.

Again, thank you for your patience and interest in addressing this important issue. If you or your staff have questions about the approach to the question of accumulated losses outlined in this letter, please do not hesitate to call upon us.

Very truly yours,


Thomas Waldrop

cc: Chairman Hundt
Commissioner Barrett
Acting Chief, Cable Services Bureau
Office of the Secretary